

## CHAPTER 8

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# SALES TAX

### Section 8-1

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#### REQUIREMENT

**8-1.1 Authorization.** Section 205.52 of the *General Sales Tax Act* (MCL 205.52) authorizes the collection of sales tax on the purchase of vehicles.

**8-1.2 Collection of Sales Tax.** Michigan sales tax is collected on the retail sale of new and used vehicles by licensed dealers at the time of sale. Dealers must have a sales tax license issued by the Michigan Department of Treasury. After collecting sales tax, dealers submit the tax to the Secretary of State with their RD-108 title applications.

**8-1.3 Tax Rate.** When sales tax is due, the amount levied is 6% of the full purchase price of the unit. To compute the tax, multiply the full purchase price times .06. Round off to the penny.

### Section 8-2

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#### FULL PURCHASE PRICE

**8-2.1 Definition.** Purchase price includes the full amount paid to the dealer without any deduction for a trade-in. Tax is due on the full purchase price. If there is a lease penalty for early termination rolled into the purchase price of the vehicle, that charge is also subject to tax.

**8-2.2 Payment.** Compensation for the full purchase price may be in any of the following forms:

- a) Money;
- b) Credit;
- c) Services rendered;
- d) Trades;
- e) Anything of value.

### Section 8-3

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#### EXEMPTIONS

**8-3.1 Ambulances, Community-Based.** Refer to “Fire Trucks” (see Section 8-3.12).

**8-3.2 Brokers.** In the sale of a vehicle, brokers bring together a buyer and seller. Vehicle brokers cannot title a unit in their name or the name of their business.

**8-3.3 Charitable Organizations.** Refer to “Nonprofit Organizations” (Section 8-5.9).

**8-3.4 Churches.** See “Religious Groups” (Section 8-5.14).

**8-3.5 Credit Unions – Federal.** Vehicles titled in the name of a *federal* credit union are tax-exempt. To qualify, the federal credit union’s name must end with the uninterrupted words “Federal Credit Union.” If any other words appear between the words “Federal Credit Union,” the credit union is not a federal credit union, and its vehicles are taxable.

**8-3.6 Dealers – Out-of-state Dealer Buys a Vehicle from Michigan Dealer.** Tax is not due when an out-of-state dealer acquires a vehicle from a Michigan dealer for resale outside of Michigan. In its Police Book, the Michigan dealer enters the out-of-state dealer’s sales tax number and dealer number issued by the dealer’s home state. This transaction is not eligible for a 14-day in-transit permit.

**8-3.7 Dealers – Resale Titles, Lease Vehicles, Rentals, Demos.** Dealers always use their RD-108 when titling a vehicle in the name of the dealership. Sales tax is always due except in the following instances:

- a) When the dealer applies for a resale title; or,
- b) When a dealer will be leasing a vehicle. There is no such thing as a so-called tax-exempt number for sales tax or use tax purposes. In a lease situation, where the dealer titles this vehicle in the name of their leasing company, the dealer has an option of how to remit the tax. They are not exempt from tax. They may remit tax up front for the total purchase price shown on the RD-108; or, on the monthly rental receipts, if applicable. The dealer should enter their use tax registration number and the statement “For Lease” in the Remarks section of the RD-108; or,
- c) When the dealer is titling a vehicle to be used for rental purposes (usually by customers having their cars serviced), the dealer must enter the dealer’s sales tax license number and the statement “For Rent” in the Remarks section of the RD-108; or,
- d) When the dealer titles a demonstrator vehicle.

Dealers may hold the vehicles they have for resale or transfer them to another dealership without collecting tax. Removing a vehicle from inventory for use other than testing or demonstration requires titling and sales tax. If needed, the dealer may apply for a resale title in the name of the dealership. Tax is not due until the unit is sold at retail.

**8-3.8 Demonstrator Vehicles.** A demonstrator is a motor vehicle used for testing and demonstration. New vehicles titled as a demonstrator are tax-exempt until sold at retail. A dealer is limited in the number of vehicles which may be titled or used as tax-exempt demonstrators. The number is based on the dealer’s volume of new vehicle sales in a calendar year, as in the following table:

**Table 1**  
**Demonstrators Based on Volume**

<b>New Units Sold per Calendar Year</b>	<b>Tax-exempt Demos Allowed per Calendar Year</b>
0 - 25	2 Vehicles
26 - 100	7 Vehicles
101 - 500	20 Vehicles
501+	25 Vehicles (maximum)

A demo vehicle that is carried over from one year to a new year counts as a tax-free demo for that new year, subject to the above limits.

**8-3.9 Foreign Diplomats.** A diplomat is a person who is appointed to represent his/her government in relations with another country. Foreign diplomats assigned to the United States and their family members are exempt from sales tax on the purchase of large items including vehicles and watercraft. The diplomat and family members cannot take outside employment.

- a) **Tax Exemption Card.** The U.S. Department of State, Office of Foreign Missions, issues tax exemption cards to foreign diplomats and consular personnel in the U.S. To qualify for tax exemption, a diplomat must present this card upon titling a vehicle. Record the card's tax number and expiration date on the RD-108 and enter "Tax-exempt – Diplomat" in the Remarks section.
- b) **License Plates.** The Michigan Department of State does not issue license plates to diplomats. Refer all inquiries to the diplomat's embassy. The foreign embassy will contact the U.S. Department of State, Office of Foreign Missions, Diplomatic Motor Vehicle Office, Washington, D.C. 20520. Telephone: 202/895-3521.

**8-3.10 "Doing Business As" for a Solely-Owned Business.** A person who solely owns a business may show both his/her name and the business name as a d/b/a on the title. This procedure does not apply to a partnership, corporation, limited liability company, or association.

Example:

Paul Hudon d/b/a Paul's Classic Good Deals  
1234 S. Huron Avenue  
Anywhere, MI 48000

**8-3.11 Farmers.** Most farm vehicles are subject to sales tax. If a farm truck or trailer is ever used on-road, even for traveling from farm to farm, a license plate is required, and tax is due.

- a) **Exclusive Farm Operation.** If the farm truck is used exclusively on the farm (it is never operated off the immediate location of the farm), a tax exemption may be claimed. The transaction would be a title-only transaction. This farm truck is not eligible for any type of plate (even a farm plate) or permit until tax is paid.

In addition to completing the RD-108 title application, have the farmer complete a certification stating this farm truck will not be operated off his/her farm until tax is paid and the vehicle is properly licensed. Enter the statement “FARM TRUCK – NOT ELIGIBLE FOR PLATE UNTIL TAX IS PAID” in the Remarks section of the RD-108.

**8-3.12 Fire Trucks and Ambulances.** Local government units are exempt from sales tax on the purchase of an ambulance or fire-fighting equipment. A community-based nonprofit corporation is also exempt. The ambulance or fire truck must be titled in the nonprofit entity’s name. Write “Tax-exempt – Community Service” in the Remarks section of the RD-108.

**8-3.13 Houses of Worship.** Sales and Use tax is due on vehicles acquired by churches and houses of worship, except for vans and buses with a manufacturer’s rated seating capacity of 10 or more passengers, and used to transport passengers for church functions. See Section 8-5.14.

## Section 8-4

### IN-TRANSIT PERMITS AND “EXPORT SALES”

**8-4.1 Authorization.** The 14-day in-transit permit allows a nonresident purchaser of a vehicle to drive a newly purchased vehicle to his/her home state where it will be titled and registered. By law, only one in-transit permit may be issued for any vehicle. Lease companies with a Michigan tax registration number are eligible to receive 14-day in-transit permits.

*NOTE: Dealers should process a 14-day in-transit permit for all out-of-state transactions (except for salvage-titled or scrap-titled vehicles) regardless of the customer’s method of transporting the vehicle to the other state. States having sales tax reciprocity agreements with the State of Michigan have agreed to give tax credits on in-transit deliveries. Without the in-transit permit, the customer’s home state could require tax to be paid again.*

*Additionally, the in-transit permit provides a record with the State. This record can be used to issue a replacement title if the ownership document (i.e., MCO, title) is lost before titling in the purchaser’s home state. The State of Michigan cannot issue a replacement title without this record, and the customer will be required to use their home state’s procedures.*

**8-4.2 Proof of Insurance.** Proof of Michigan no-fault or out-of-state insurance is required. This can be insurance for any vehicle in the purchaser’s name. The insurance certificate does not have to name the in-transit vehicle.

**8-4.3 Out-of-state Address.** An out-of-state address is required on the RD-108 showing where the vehicle will be titled and registered. No Michigan title will be issued. The RD-108 should show lienholder information in the “First Secured Interest” section, if applicable. Although Michigan will not record the lienholder in our records, adding lienholder information on the RD-108 helps to ensure the lien is recorded on the purchaser’s issuing state’s title.

**8-4.4 Procedure.** Use the following procedure to obtain an in-transit permit:

- a) Complete an RD-108 as follows:

- 1) In the space provided for the plate number, enter “NO TITLE – IN-TRANSIT”;
- 2) Enter the complete out-of-state address;
- 3) In the Remarks section, enter the state and title number of the title being transferred and “To be Titled and Registered in \_\_\_\_\_ (state)”;

Example:

REMARKS:

Michigan Title #226C450081

To be titled and registered in Texas

- 4) Enter the in-transit permit fee of \$10 on the RD-108 in the license fee box.
- b) Submit the properly assigned proof of ownership (title, MCO, etc.). It will be returned with the in-transit permit.
  - c) Instruct the owner to display the in-transit permit in the rear window of the vehicle. If there is no rear window, the permit should be displayed in a location where it can be seen by law enforcement.

**8-4.5 Exporting Vehicles.** Record keeping requirements are somewhat different when selling a vehicle which will be exported to another country or state compared to when selling a vehicle for registration within Michigan. See Section 8-5.11 for more information.

- a) **Tax Due.** Tax is due on all vehicles unless the purchaser is a licensed dealer or the vehicle is to be delivered by the Michigan dealer outside the boundaries of the State of Michigan. For export purposes, if a dealer contracts with a shipper and delivers the vehicle to a foreign destination, tax is not due. However, if a dealer delivers a vehicle to the purchaser’s representative who will arrange shipment to a foreign destination, tax is due as the transfer of ownership of the vehicle took place in Michigan.
- b) **Procedure.** The selling dealer assigns the title or MCO and completes an RD-108, odometer statement, and, if appropriate, a salvage disclosure statement. In the Remarks section of the RD-108, enter “TAX-EXEMPT – FOR EXPORT” and give the address of the port of exit where the vehicle will be delivered.
- c) **Processing.** The RD-108 is not processed at a branch office. The dealer keeps a copy of all documents, including bills of lading or other documentation and gives the title, a copy of the RD-108, odometer disclosure, and salvage disclosure to the purchaser. The dealer retains copies of this information for five years.

**8-4.6 In-transit Permits – States with No Tax Reciprocity.** If a dealer sells a vehicle that will be titled and registered in a state which has no tax reciprocity with Michigan (listed below), no tax is due. However, the law requires the customer to purchase the 14-day in-transit permit regardless of the method of transporting the vehicle, or else sales tax is due.

**8-4.7 In-transit Permits – “No Tax Due” States.** Some states do not charge sales tax on the purchase of vehicles or do not give the customer credit if they pay tax in Michigan. These include the following states:

Alaska	Mississippi*	North Carolina*
Arkansas*	Montana	Oklahoma*
Delaware	Nebraska	Oregon
District of Columbia*	New Hampshire	West Virginia*
Maryland*	New Mexico	

\*Non-reciprocal (no credit given)

*IMPORTANT NOTE: Sales tax rates and reciprocal agreements between states are subject to change without notice. Such changes may or may not be reflected in the Dealer Manual. It is the dealer’s responsibility to confirm all sales tax information. Up-to-date information concerning sales tax reciprocity or rates can be obtained by contacting the Michigan Department of Treasury at 517/636-4730.*

**8-4.8 In-transit Permits – States with Tax Reciprocity.** If the purchaser is taking the vehicle to a state which is reciprocal with Michigan, two tax computations are required.

- a) Determine the amount of sales tax due in the purchaser’s home state. If that state allows a trade-in credit, the full trade-in allowance (100%) is used in the first computation.
- b) Determine the amount of 6% sales tax in Michigan, as if the purchaser is a Michigan resident.
- c) After making the two computations, collect the lower amount. If the out-of-state tax amount is the lower amount, show in the Remarks section of the RD-108 the method used to determine the sales tax, such as 4.25% New York tax with \$5,040 trade-in credit.

Example: The purchaser will be taking her new car to New York. The purchase price is \$10,760. She received \$5,040 for her trade-in.

First Computation: New York tax (4.25% tax rate, full trade-in credit):

$$\$10,760 - \$5,040 = \$5,720 \times .0425 = \mathbf{\$243.10} \text{ (New York total)}$$

Second Computation: Michigan tax (6% tax rate, no trade-in credit):

$$\$10,760 \times .06 = \mathbf{\$645.60} \text{ (Michigan total)}$$

In this example, the New York computation provides the lesser amount and is the amount collected.

**8-4.9 When Going to Canada or Another Country.** If the purchaser is taking delivery of the vehicle in Michigan and transporting it to Canada or another country (including U.S. territories), 6% Michigan sales tax is due. If the vehicle is being delivered by the dealer or dealer's representative outside the State of Michigan, sales tax is not due. (See Sections 8-5.10 and 8-5.11 and Chapter 3, Section 3-9 for more information.)

**8-4.10 State Sales Tax Used for In-transits.** Each state has applicable trade-in credits and tax rates. The following table shows the current trade-in credit and tax rates:

**Table 2**  
**State Sales Tax Used for In-transits**  
(As of February 2003)

State	Trade-In	Tax Rate	State	Trade-In	Tax Rate
Alabama	Yes	2%	Missouri	Yes	4.225%
Arizona	Yes	5.6%	Nevada	No	6.5%
California	No	6%	New Jersey	Yes	6%
Colorado	Yes	2.9%	New York	Yes	4.25%
Connecticut	Yes	6%	North Dakota	Yes	5%
Florida	Yes	6%	Ohio	Yes <sup>(3)</sup>	6%
Georgia	Yes	4%	Pennsylvania	Yes	6%
Hawaii	Yes	4%	Rhode Island	Yes <sup>(4)</sup>	7%
Idaho	Yes	6%	South Carolina	Yes	5% <sup>(5)</sup>
Illinois	Yes	6.25%	South Dakota	Yes	4%
Indiana <sup>(1)</sup>	Yes	6%	Tennessee	Yes	7%
Iowa	Yes	5%	Texas	Yes	6.25%
Kansas	Yes	5.3%	Utah	Yes	4.75%
Kentucky	Yes <sup>(2)</sup>	6%	Vermont	Yes	5%
Louisiana	Yes	4%	Virginia	No	3.5%
Maine	Yes	5%	Washington	Yes	6.5%
Massachusetts	Yes	5%	Wisconsin	Yes	5%
Minnesota	Yes	6.5%	Wyoming	Yes	4%

- (1) Indiana extends a sales tax credit to Indiana residents who purchase vehicles in Michigan, but does not require Indiana dealers to collect Michigan sales tax.
- (2) Trade-in credit allowed only when a *new* car is purchased from a Kentucky dealer.
- (3) Trade-in credit allowed only when a *new* car or motor home is purchased from a dealer.
- (4) Passenger cars only.
- (5) Maximum is \$300.

## Section 8-5

### DETERMINING SALES TAX

**8-5.1 Requirement.** See Section 8-1 for information on sales tax requirements.

**8-5.2 Leasing Companies – Titling Vehicles.** A vehicle leasing company with a Michigan tax registration number has a choice of how tax is paid when titling vehicles in its name. They may either:

- a) Pay the 6% tax at time of title application; or
- b) Pay tax on the monthly rental receipts directly to the Michigan Department of Treasury.

To be eligible to pay tax on the rental receipts, the leasing company must note “For Lease” on their RD-108 and also provide their Michigan use tax registration number.

*NOTE: When titling a vehicle, some leasing companies allow the lessee to make a down payment (capitalized cost reduction) in order to lower the monthly lease payment. The Michigan Department of Treasury considers the down payment to be the first payment received on a leased vehicle. Since this is use tax and not sales tax, the tax on the down payment is not submitted with the RD-108. The lessor is responsible for remitting tax on the down payment. However, dealers may remit the down payment tax on behalf of the lessor, using their (the dealer’s) monthly sales and use tax return sheet.*

**8-5.3 Leasing Companies – Selling Vehicles.** If the lessee elects to purchase the vehicle at the end of the lease contract (or if the leasing company sells the vehicle to a third party), the leasing company, if not a licensed dealer, collects sales tax on the sale price and issues the purchaser a tax receipt. (This also applies to rent-a-car companies and other businesses which sell more than five vehicles a year.)

**8-5.4 Leased Vehicles – Tax Status.** Procedures vary for leasing companies depending on possession of a Michigan tax registration number. These differences are specified in Michigan tax law, which allows a tax exemption only if the leasing company is paying Michigan tax based on its rental receipts.

- a) **With Michigan Tax Registration Number.** When a leasing company takes delivery of a vehicle in Michigan, the transaction is exempt from sales tax if the leasing company has a Michigan use tax registration number and claims a tax exemption. The claim must contain their use tax registration number and the notation “Tax-exempt – for Lease” in the Remarks section of the RD-108.
- b) **Without Michigan Tax Registration Number.** If the leasing company is not registered with the Michigan Department of Treasury as a leasing company (no use tax registration number), sales tax is due.
- c) **Out-of-state Leasing Company.** When an out-of-state leasing company takes delivery of a vehicle in Michigan, tax is not due if the leasing company has a tax registration from its home state and the vehicle will not be leased in Michigan.



The company must purchase a 14-day in-transit permit to be tax-exempt. If the vehicle will be leased in Michigan, the company must be registered in Michigan and follow the same requirements for a Michigan leasing company. Otherwise, tax is due on the full purchase price. See Section 8-4 for more information on in-transit permits.

#### **8-5.5 Military Personnel.**

- a) **Requirement.** Vehicles purchased by military personnel are subject to sales tax.
- b) **Nonresident Personnel.** Nonresident military personnel obtaining an in-transit permit are tax-exempt if, at the time of purchase, they submit a letter from their commanding officer providing the purchaser's home address and certifying armed forces status. This is not required with manufacturer in-transit permits for Military Sales, Inc. (See Section 8-4 for more information on in-transit permits.)

**8-5.6 Michigan Rehabilitation Services Clients.** Occasionally, the Michigan Rehabilitation Services (MRS) of the Michigan Jobs Commission will pay for a vehicle to be titled in their client's name. Because the state purchased the vehicle, tax is not due.

- a) **Procedure.** The client must submit a copy of form RA-Z40, Authorization and Billing, issued by Michigan Rehabilitation Services. Form RA-Z40 will show the client's name and the maximum amount approved for expenditure.
- b) **Purchase Price Exceeds Approved Amount.** If the vehicle purchase price exceeds the amount approved by MRS, the client is responsible for paying tax on the difference. Form RA-Z40 is submitted with the RD-108. Any plate fee must be collected, either from the client or using a Michigan Jobs Commission warrant.

**8-5.7 Ministers.** Ministers are subject to sales tax when acquiring a vehicle, mobile home, or watercraft.

**8-5.8 Native American Indian Tribes.** The Michigan Department of Treasury has recently revised its policy regarding the tax treatment of Native American Indian Tribes and members. For more information regarding taxation of Native American Indian Tribes and members, please contact the Michigan Department of Treasury at 517/636-4730.

**8-5.9 Nonprofit Organizations.** Certain nonprofit groups qualify for tax-exempt status when acquiring a vehicle. They must also meet the four qualifications listed below.

- a) **Exempt Nonprofit Groups.** The following nonprofit organizations, institutions, and agencies do not pay Michigan sales tax:
  - 1) Nonprofit school;
  - 2) Nonprofit hospital;
  - 3) Home for the care of children or aged persons;

- 4) Parent cooperative preschool (see Section 205.54a(a) of the Michigan Vehicle Code for special stipulations);
  - 5) Health, welfare, educational, charitable, or benevolent institution or agency.
- b) Qualifying Procedures.** The following are needed by nonprofit groups to qualify for Michigan sales tax exemption:
- 1) Organizations other than a nonprofit school, nonprofit hospital, church, government agency, or parent cooperative preschool, must submit either of the following:
    - i) Form C-3136, *Letter of Exempt Determination*, issued by the Michigan Department of Treasury; or
    - ii) Federal exemption letter showing that they are exempt from tax under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code.

*NOTE: Photocopies are acceptable. Nonprofit schools, nonprofit hospitals, churches, and government agencies do not have to submit one of the documents listed above.*

- 2) The vehicle must be titled in the name of the nonprofit entity (organization, institution or agency) and used to carry out the activities of the entity as described in its bylaws or articles of incorporation;
  - 3) The vehicle must be used exclusively by the entity which is serving the public at large; and,
  - 4) Individuals and private shareholders in the entity cannot benefit, in whole or in part, from the use of the vehicle.
- c) Qualified Organizations.** Organizations such as Girl Scouts and Boy Scouts, social and fraternal organizations such as the Lions Club, Kiwanis Club, Rotary International, etc., are subject to sales tax in Michigan, unless exempt under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code and the vehicle is used to carry out the activities of the entity as described in its bylaws or articles of incorporation.

*NOTE: Tax is due on vehicles acquired by churches and houses of worship, except for vans and buses with a manufacturer's rated seating capacity of 10 or more passengers, and used to transport passengers for church functions. See Section 8-5.14.*

**8-5.10 In-state Delivery by a Michigan Dealer.** Michigan dealers collect sales tax on the sale of vehicles, watercraft, and mobile homes delivered in Michigan.

- a) Requirement.** Included in the sales tax collection are nonresidents and out-of-state businesses. (For nonresidents, dealers do not always collect 6% sales tax.) Credit for Michigan sales tax paid can be claimed by the purchaser's home state if that state is reciprocal with Michigan.

- b) **Procedures.** Michigan vehicle dealers collecting sales tax from a nonresident submit a completed RD-108 even though the vehicle will be titled and registered in another state. Usually, an in-transit permit is required. (See Section 8-4 and Chapter 3, Section 3-9 for more information on in-transit permits.)

**8-5.11 Out-of-state Delivery by a Michigan Dealer – “Export Sale.”** When a Michigan dealer sells a vehicle to an out-of-state purchaser, sales tax is due unless the purchaser is a licensed dealer or the Michigan dealer will export the vehicle. (See Section 8-4.5 for details.)

- a) **Requirement.** According to the Michigan Department of Treasury, a vehicle must be delivered to an out-of-state destination to qualify as a tax-exempt export sale. The Michigan dealer must actually deliver or pay a third party to deliver the vehicle outside the State of Michigan for the sale to be tax-exempt.

*NOTE: A third party (e.g., shipping company or transporter) that is contracted by the purchaser to pick up the vehicle is acting as the purchaser’s representative. If a third party takes delivery of the vehicle on the purchaser’s behalf within the State of Michigan, the sale does not qualify as a tax-exempt export sale.*

- b) **Procedure.** The selling dealer assigns the title or MCO (with proper odometer disclosure), completes an RD-108, and – if appropriate – a salvage disclosure statement. In the Remarks section of the RD-108, enter “TAX-EXEMPT – FOR EXPORT” and give the address of the out-of-state destination to which the vehicle will be delivered.
- c) **Processing.** The RD-108 is not processed at a Secretary of State branch office. The dealer gives the assigned title or MCO, the original copy of the RD-108, the odometer disclosure, and the salvage disclosure (if applicable) to the purchaser. The dealer keeps a copy of all documents for five years.
- d) **Records.** Documentary evidence proving that the dealer delivered the vehicle outside of Michigan must be kept in the dealer’s records. Evidence includes a copy of the completed RD-108; a waybill or bill of lading from a shipping or trucking company; trip sheet; driver’s logs; and/or other documentary evidence to verify delivery to a destination outside the State of Michigan. The dealer retains these documents for five years.
- e) **Tax Liability.** When the Michigan Department of Treasury conducts a tax audit of a licensed Michigan vehicle dealer, the dealership will be held liable – as the retailer – for the sales tax, unless the appropriate documentation can be presented.
- f) **In-transit Permits.** A 14-day in-transit permit cannot be obtained for an export sale. (See Chapter 3, Section 3-9.)
- g) **Other Delivery Arrangements.** If the nonresident purchaser arranges for someone to take delivery of the vehicle within Michigan on his/her behalf, the sale is subject to Michigan tax.

**8-5.12 Rebates.** A purchaser may be exempt from sales tax on rebates depending on the type of rebate.

- a) **Manufacturer Rebates.** Tax is due on rebates from manufacturers. The rebate cannot be subtracted from the vehicle purchase price when computing sales tax. (It is not a discount offered by the seller.) This rule applies even when credit is given at the time of sale and the owner will not receive a rebate check in the mail.
- b) **Dealer Rebates.** These are discounts offered by the dealer and are not subject to tax. The amount of the dealer rebate or discount is deducted before calculating tax due. This type of rebate or discount may be documented in the Remarks section.

**8-5.13 Relatives.** Sales tax is due when a retailer sells anything to an immediate family member (a dealer sells a car to his/her son, etc.).

**8-5.14 Religious Groups – Church Vans and Buses.** Religious groups are not tax-exempt just because they are a religious group. Some religious organizations qualify for a tax exemption on their school bus if their school is an educational institution (Michigan Department of Education-accredited, Monday to Friday). School buses must be titled in the name of the school.

- a) **Vans and Buses.** Certain vans and buses purchased by a church may be tax-exempt. To be tax exempt, the vehicle must be titled and registered in the name of the church. The church must claim the tax exemption using form TR-34, *Certification*, or church letterhead stationery certifying the qualified vehicle will be used for church functions. Sales tax is not due in the following instances:
  - 1) The vehicle has a manufacturer's rated seating capacity of 10 or more passengers (a large van or bus), and,
  - 2) The vehicle is purchased to transport passengers for church functions (Sunday or bible school, transporting senior citizens to church, etc.).
- b) **Other Vehicles.** All other vehicles sold to churches or houses of worship are taxable. Ministers are not exempt from tax when acquiring any vehicle, mobile home, or watercraft. Some religious groups' administrative council may be part of the church, in which case the exemption for buses and vans above applies. Questions regarding their tax status should be referred to the Michigan Department of Treasury at 517/636-4730.

**8-5.15 Repossession by Secured Party.** When an owner defaults on the financing agreement for a vehicle, the vehicle can be taken (repossessed) by the lender (secured party).

- a) **Secured Party Exempt Status.** The secured party is tax-exempt when applying for a resale title (see Chapter 3 for resale titles). If the secured party applies for a regular title (not resale), tax is due.
- b) **Repossessor or Purchaser Status.** Tax is paid by the purchaser when the reposessor sells the vehicle at a later date. This tax is collected by the reposessor if the reposessor sells more than five vehicles a year. The reposessor issues a tax receipt, which Secretary of State branch offices accept in lieu of collecting tax.

**8-5.16 Resale Titles.** Resale titles show the legend “Not Eligible for Plates – No Tax Paid.” See the headings “Dealers” or “Repossession by Secured Party” for more information.

**8-5.17 School Buses.** When a school bus is acquired by an accredited educational institution (Monday to Friday, Michigan Department of Education-approved curriculum), no tax is due. The bus must be titled in the name of the school or school district.

**8-5.18 Trade-in Credit.** There is no trade-in credit or allowance of any kind when a Michigan resident buys a vehicle in Michigan or in another state. Tax is assessed on the full purchase price of the vehicle before subtracting any value of a trade-in vehicle. The exception is vehicles purchased by non-residents on an in-transit RD-108, to be titled and registered in their home state, as previously explained.

**8-5.19 Vehicle Warranties.** A manufacturer’s extended warranty (purchased by customer) or service contract is taxable if it is not optional and must be purchased with the vehicle. If purchased as an add-on option (separate charge), no tax is due.